

EXECUTIVE SUMMARY SHEET

CITY OF SAN DIEGO

DATE ISSUED: June 21, 2011
ATTENTION: Council President and City Council
ORIGINATING DEPARTMENT: City Planning and Community Investment
SUBJECT: Neighborhood Stabilization Program (NSP) Amendments
COUNCIL DISTRICT(S): Citywide
CONTACT/PHONE NUMBER: Vickie White/619-236-6607

REQUESTED ACTIONS:

1. Authorize the Mayor or his designee to amend the NSP Action Plan in the DRGR system to specify that NSP Program Income received through July 30, 2013, shall be used for any NSP eligible activity identified in the NSP Action Plan before the expenditure of NSP Grant Funds consistent with the NSP Activity Budgets, until all available NSP Program Income is expended.
2. Authorize the Mayor or his designee to amend the Activity Budgets set forth in the NSP Action Plan in the DRGR system to increase Activity Budgets for "Financing Mechanism for the Purchase & Redevelopment of Foreclosed Upon Homes and Residential Properties" and "NSP Administration" activities as defined in the City's NSP Action Plan by the amount of NSP Program Income received prior to July 30, 2013, provided that the NSP Administration Activity Budget consists of only 10 percent of the amount of NSP Grant Funds plus 10 percent of the amount of NSP Program Income received.
3. Authorize the Mayor or his designee to amend the NSP Action Plan in the DRGR system to specify that City staff shall bring the issue of the disposition of NSP Program Income received after July 30, 2013, before the Council for its determination on the appropriate use of such NSP Program Income as soon as reasonably possible before such date, once HUD has issued additional regulatory guidance on the eligible uses of such funds.
4. Authorize the Mayor or his designee is authorized to negotiate and execute a third amendment to the Agreement Between the City the San Diego Housing Commission for the Provision of Services Related to the Neighborhood Stabilization Program, for the purpose of specifying the accounting and use of NSP Program Income through July 30, 2013, and specifying that the disposition of NSP Program Income received after July 30, 2013, will be brought before the Council by City staff for Council's determination on the appropriate use of such NSP Program Income as soon as reasonably possible prior to such date, once HUD has issued specific guidance on the eligible uses of such funds.
5. Authorize the Chief Financial Officer to appropriate and expend \$1,813,231.37 in NSP Program Income received by SDHC as of May 31, 2011, for NSP eligible activities as identified in, and consistent with, the NSP Activity Budgets.
6. Authorize the Chief Financial Officer to appropriate and expend any additional NSP Program Income received through July 30, 2013, for NSP eligible activities as identified in, and consistent with, the NSP Activity Budgets prior to the expenditure of NSP Grant Funds for such purposes.
7. Authorize the Chief Financial Officer to adjust the NSP Activity Budgets of the "Financing Mechanism for Purchase & Redevelopment of Foreclosed Upon Homes and Residential Properties" and "NSP Administration" activities in the City's accounting system in accordance with the NSP Action Plan.

STAFF RECOMMENDATIONS:

Adopt the Requested Actions.

SUMMARY:

The Neighborhood Stabilization Program (NSP) is a one-time supplemental Community Development Block Grant (CDBG) program that enables states and local governments to assist in the redevelopment of abandoned and foreclosed homes and residential properties in those areas hardest hit by the foreclosure crisis. Through the 2008 Housing and Economic Recovery Act (HERA), the U.S. Department of Housing and Urban Development (HUD) awarded stimulus funding to states and local governments to carry out, on an expedited basis, eligible activities under NSP.

The City of San Diego received \$9,442,370 in NSP funds. To access the funds, the City submitted an application in the form of the NSP Substantial Amendment (NSP Action Plan) to HUD on November 25, 2008. The City has 48 months from the date of HUD's NSP grant agreement with the City to expend its grant in full (March 3, 2013). The CDBG Program Office of the City's Economic Development Division administers the NSP grant, and the City has contracted with the San Diego Housing Commission (Housing Commission) to carry out its NSP activities as a grant subrecipient.

The NSP assistance provided by the Housing Commission has been predominantly in the form of thirty (30) year loans to first-time homebuyers and fifty-five (55) year to rental housing developers. The CDBG Program Office and the Housing Commission anticipate repayment of these loans with interest through the year 2066. HUD considers such repayment proceeds and all other gross income received by a grantee or subrecipient that is directly generated from the use of NSP funds to be NSP "Program Income," which increases the total amount of funds available for NSP activities. The purpose of this action is to clarify the City Council's direction for the use of NSP Program Income through July 30, 2013.

As of May 31, 2011, the Housing Commission had received NSP Program Income totaling \$1,813,231.37. Program Income generated by NSP activities and received prior to July 30, 2013 must be reused by the City for NSP activity costs prior to drawing additional NSP grant funds from the U.S. Treasury. The City's NSP Action Plan anticipates the receipt of Program Income from NSP activities but does not fully address the use of NSP Program Income. Also, the resolution approving the NSP Action Plan and appropriating the NSP grant funds does not authorize the City to appropriate and expend NSP Program Income funds. Further, in order to account for the City's NSP Program Income to allow full expenditure of all available NSP funds, the City must adjust the budgets for the NSP activities in the NSP Action Plan, HUD's Disaster Recovery Grant Reporting (DRGR) system, the City's accounting system, and the NSP subrecipient contract.

Additionally, HUD has not issued specific guidance on the use of NSP Program Income received after July 30, 2013. Staff anticipates that HUD will issue additional guidance on NSP Program Income in 2013. The City's NSP contract with the Housing Commission currently expires on July 30, 2013, and has no provisions governing NSP Program Income received after that date. To be in compliance with HUD regulations, the City must revise its NSP subrecipient contract to provide direction regarding Program Income received after July 30, 2013.

CDBG Program Office staff proposes that NSP Program Income received by the Housing Commission through July 30, 2013, continue to be re-used by the Housing Commission for eligible costs under any of the activities in the NSP Action Plan, and that the City Council authorize the Chief Financial Officer to appropriate and expend the NSP Program Income received to date. Staff also proposes that NSP grant funds made available by the expenditure of NSP Program Income for NSP activity costs be used for additional Financing Mechanism for First-Time Homebuyers and Administration activities. Staff requests that the City Council authorize City staff to adjust the NSP activity budgets in the NSP Action Plan, HUD's DRGR system and the City's accounting system to allow such reuse.

CDBG Program Office staff further proposes that the City Council revisit the issue of the disposition of NSP Program Income as soon as possible once HUD has issued additional regulatory guidance regarding NSP Program Income. Staff also requests that Council authorize the Mayor or his designee to amend the City's NSP subrecipient contract to reflect the requested approvals regarding the use of NSP Program Income, adjustments to NSP activity budgets, and direction to revisit the long-term disposition of NSP Program Income prior to July 30, 2013.

FISCAL CONSIDERATIONS:

This action will not result in any fiscal impacts to the City's General Fund. NSP Program Income funds will be received periodically in varying amounts through the life of the loans made by the San Diego Housing Commission with the City's NSP grant funds. NSP Program Income will be reused by the San Diego Housing Commission for NSP-eligible projects through July 30, 2013. CDBG Program Office staff will oversee the use of NSP Program Income. CDBG Program Office staff are funded with NSP and CDBG grant funds.

EQUAL OPPORTUNITY CONTRACTING:

San Diego Housing Commission is a Government Agency, and as such is exempt from submitting Work Force Reports. Refer to San Diego Municipal Code Section 22.2703(c).

This Agreement is not subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708).

This Agreement is subject to the Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

City Council – November 18, 2008: Appropriation of NSP grant and approval of City's NSP Action Plan.

City Council and Housing Authority – September 15, 2009: Revisions to City's NSP Action Plan to allow acquisition of foreclosed and abandoned homes by San Diego Housing Commission and resale of homes to eligible first-time homebuyers.

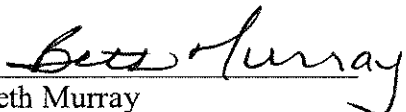
City Council and Housing Authority – April 26, 2010: Revisions to City's NSP Action Plan to allow for-profit developers to receive NSP assistance to develop affordable rental housing for low-income households.

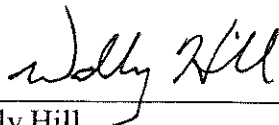
COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

A Public Notice for the proposed actions is being published in the San Diego Daily Transcript, La Prensa, the Voice & Viewpoint, Channel 24 (CityTV), and the City's CDBG program webpage (www.sandiego.gov/cdbg/general). The public will have an opportunity to comment when the City Council considers adoption of the proposed actions at a public meeting.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Residents of low- and moderate-income communities.


Beth Murray
Deputy Director
Economic Development Division


Wally Hill
Assistant Chief Operating Officer

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING AMENDMENTS TO THE CITY'S NEIGHBORHOOD STABILIZATION PROGRAM (NSP) ACTION PLAN AND AUTHORIZING THE MAYOR OR HIS DESIGNEE TO NEGOTIATE AND EXECUTE A THIRD AMENDMENT TO THE AGREEMENT BETWEEN THE CITY OF SAN DIEGO AND SAN DIEGO HOUSING COMMISSION FOR THE PROVISION OF SERVICES RELATED TO THE NEIGHBORHOOD STABILIZATION PROGRAM AND THE APPROPRIATION AND EXPENDITURE OF NSP FUNDS ASSOCIATED WITH THE AGREEMENT.

WHEREAS, the Housing and Economic Recovery Act of 2008 (HERA) was signed into law on July 30, 2008; and

WHEREAS, on September 26, 2008, the U.S. Department of Housing and Urban Development (HUD) allocated \$3.9 billion to states and hard-hit areas under Sections 2301-2304 of HERA, known henceforth as the Neighborhood Stabilization Program (NSP), for the purpose of assisting in the redevelopment of abandoned and foreclosed homes and residential properties; and

WHEREAS, the City of San Diego (City), as an entitlement city under the HUD Community Development Block Grant (CDBG) program, received \$9,442,370 in NSP funds (NSP Grant Funds) on March 3, 2009, after submitting a plan to HUD entitled "The NSP Substantial Amendment" (NSP Action Plan); and

WHEREAS, on November 18, 2008, the City Council of the City of San Diego (Council) adopted Resolution No. R-304441 approving the NSP Action Plan and appropriating the NSP Grant Funds; and

WHEREAS, on August 25, 2009, the City entered into a subrecipient contract entitled "Agreement Between the City of San Diego and San Diego Housing Commission For the Provision of Services Related to the Neighborhood Stabilization Program" (NSP Agreement) which delegated responsibility to the San Diego Housing Commission (SDHC) to operate and administer the City's NSP grant; and

WHEREAS, on February 24, 2010, and May 24, 2010, the City entered into Amendment Nos. 1 and 2 of the NSP Agreement to add an eligible NSP activity and to shift funds among eligible NSP activities; and

WHEREAS, the type of financial assistance provided by the SDHC with the NSP Grant Funds has been predominantly in the form of thirty (30) year loans to low-, moderate-, and middle-income first-time homebuyers and fifty-five (55) year loans to developers for rehabilitation of rental properties serving low-income residents in the city of San Diego; and

WHEREAS, the City and SDHC anticipate that repayment proceeds with interest will be received from these loans periodically through the year 2066; and

WHEREAS, HUD considers such repayment proceeds and all other income generated by NSP activities to be "Program Income" (NSP Program Income) and requires all such NSP Program Income to be used by the City for NSP activity costs prior to drawing down NSP Grant Funds not yet utilized from the U.S. Treasury; and

WHEREAS, HUD requires that NSP Grant Funds and NSP Program Income received through July 30, 2013, be expended for NSP eligible activities, but HUD has not yet issued specific guidance on the eligible uses for NSP Program Income received after such date; and

WHEREAS, as of May 31, 2011, the SDHC, as the City's NSP subrecipient, has received NSP Program Income in the amount of \$1,813,231.37; and

WHEREAS, as the NSP Action Plan and the NSP Agreement do not fully address the use of NSP Program Income as required by HUD regulations, they must be amended to do so; and

WHEREAS, the receipt of NSP Program Income by the City increases the total amount of funds available for NSP activities; and

WHEREAS, there are five types of eligible NSP activities in the NSP Action Plan which are: (1) "Financing Mechanism for the Purchase & Redevelopment of Foreclosed Upon Homes and Residential Properties"; (2) "Redevelop Demolished or Vacant Properties"; (3) "Acquisition/Rehabilitation & Rental for Low Income Tenants"; (4) "Acquisition/Rehabilitation & Resale to First-Time Homebuyers"; and (5) "NSP Administration"; and

WHEREAS, the budgets for the NSP activities (NSP Activity Budgets) in the NSP Action Plan, the NSP Agreement, HUD's accounting and reporting system known as the Disaster Recovery Grant Reporting (DRGR) system, and the City's accounting system must all be amended/adjusted to account for the receipt of such NSP Program Income in order to allow for the expenditure of all available NSP funds; and

WHEREAS, City staff is recommending that NSP Program Income received through July 30, 2013, be appropriated and expended on all of the NSP activities in the NSP Action Plan (consistent with the NSP Activity Budgets for such activities) before the expenditure of NSP Grant Funds, until all available NSP Program Income is expended; and

WHEREAS, to avoid the use of NSP Grant Funds and NSP Program Income for loans that may extend beyond 2066, and to allow for ongoing costs in NSP program administration during the NSP Agreement term, City staff is also recommending that the NSP Grant Funds made available by the expenditure of NSP Program Income for NSP activity costs be directed

only towards “Financing Mechanism for the Purchase & Redevelopment of Foreclosed Upon Homes and Residential Properties” and “NSP Administration”; and

WHEREAS, City staff is further recommending that the NSP Action Plan and NSP Agreement be amended to reflect that City staff shall bring the issue of the disposition of NSP Program Income received after July 30, 2013, before the Council for Council’s determination as to the appropriate use of such NSP Program Income as soon as reasonably possible before such date, once HUD has issued additional regulatory guidance on the eligible uses of these funds;
NOW THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, as follows:

1. That the Mayor or his designee is authorized to amend the NSP Action Plan in the DRGR system to specify that NSP Program Income received through July 30, 2013, shall be used for any NSP eligible activity identified in the NSP Action Plan before the expenditure of NSP Grant Funds consistent with the NSP Activity Budgets, until all available NSP Program Income is expended.
2. That the Mayor or his designee is authorized to amend the Activity Budgets set forth in the NSP Action Plan in the DRGR system to increase Activity Budgets for “Financing Mechanism for the Purchase & Redevelopment of Foreclosed Upon Homes and Residential Properties” and “NSP Administration” activities as defined in the City’s NSP Action Plan by the amount of NSP Program Income received prior to July 30, 2013, provided that the NSP Administration Activity Budget consists of only 10 percent of the amount of NSP Grant Funds plus 10 percent of the amount of NSP Program Income received.

3. That the Mayor or his designee is authorized to amend the NSP Action Plan in the DRGR system to specify that City staff shall bring the issue of the disposition of NSP Program Income received after July 30, 2013, before the Council for its determination on the appropriate use of such NSP Program Income as soon as reasonably possible before such date, once HUD has issued additional regulatory guidance on the eligible uses of such funds.
4. That the Mayor or his designee is authorized to negotiate and execute a third amendment to the Agreement Between the City the San Diego Housing Commission for the Provision of Services Related to the Neighborhood Stabilization Program, for the purpose of specifying the accounting and use of NSP Program Income through July 30, 2013, and specifying that the disposition of NSP Program Income received after July 30, 2013, will be brought before the Council by City staff for Council's determination on the appropriate use of such NSP Program Income as soon as reasonably possible prior to such date, once HUD has issued specific guidance on the eligible uses of such funds.
5. That the Chief Financial Officer is authorized to appropriate and expend \$1,813,231.37 in NSP Program Income received by SDHC as of May 31, 2011, for NSP eligible activities as identified in, and consistent with, the NSP Activity Budgets.
6. That the Chief Financial Officer is authorized to appropriate and expend any additional NSP Program Income received through July 30, 2013, for NSP eligible activities as identified in, and consistent with, the NSP Activity Budgets prior to the expenditure of NSP Grant Funds for such purposes.

7. That the Chief Financial Officer is authorized to adjust the NSP Activity Budgets of the "Financing Mechanism for Purchase & Redevelopment of Foreclosed Upon Homes and Residential Properties" and "NSP Administration" activities in the City's accounting system in accordance with the NSP Action Plan.

APPROVED: JAN I. GOLDSMITH, City Attorney

By _____

Kenneth So
Deputy City Attorney

KS:mm
X/XX/2011
Or.Dept: Economic Development
R-2011-XXX
PL #XXX

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

THE NSP SUBSTANTIAL AMENDMENT

Jurisdiction(s): City of San Diego	NSP Contact Person: Angela Nazareno
Jurisdiction Web Address: www.sandiego.gov	Address: 1200 Third Avenue, 14th Floor San Diego, CA 92101
	Telephone: 619-236-6944
	Fax: 619-533-3219
	Email: ANazareno@sandiego.gov

A. AREAS OF GREATEST NEED

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.

Response:

The City of San Diego is the largest city in the County of San Diego metropolitan statistical area (MSA, also known as "San Diego-Carlsbad-San Marcos"). The City of San Diego is a coastal city in Southern California located in the southwestern corner of the continental United States. The city has a population of approximately 1,255,240 people. It is the second largest city in California and the eighth largest in the United States. Since the foreclosure crisis became newsworthy in summer of 2007, this MSA at one point was the eleventh most impacted foreclosure area in the country. Within San Diego County, there were 1,979 foreclosures in August of 2008, a 1 percent decline from July 2008, but a rise of nearly 140 percent over the previous year.

California is a non-judicial foreclosure state. The foreclosure process begins with a recorded Notice of Default (NOD), which is a public notification that the borrower has fallen behind in the monthly mortgage payments. If the default is not cured, or the loan renegotiated or replaced, the NOD is followed by a Notice of Trustee's Sale (NOTS) after a minimum of three months. The actual Trustee's Sale can not occur less than 20 days after public notice. The Trustee's Sale is a public auction, at which anyone may place a bid, including the lender and any junior lien holders. The foreclosure process may be stopped if the default is cured 5 days in advance of the sale date. If no one bids, and the foreclosure process was not stopped, title (ownership) of the property reverts to the lender as Real Estate Owned (REO) property. The typical foreclosure process takes at least 117 days in California.

There were a total of 6,111 properties taken all the way through the foreclosure process in the MSA from July 1, 2007 through September 30, 2008 in the City. In relation to all housing units (as estimated by the San Diego Association of Governments, 2008), this represents 1.21% for the City of San Diego. This also corresponds to 1 in 83 homes becoming bank-owned during this period.

Foreclosures have occurred throughout the City of San Diego, but are concentrated in certain areas. The U.S. Department of Housing and Urban Development (HUD) has compiled a set of data that include the following:

- Area average housing sales price decline (since the peak of the market);
- High cost loan rate (mortgages with interest-only payment options, stated income mortgages, mortgages with high loan to ratios, etc.);
- The predicted 18 month underlying foreclosure rate; and
- Housing units that have been vacant for at least 90 days.

The data is made available at the Census Tract Block Group (CTBG) level for the entire country. The City of San Diego began its needs assessment in response to the housing crisis (high number of foreclosed, vacant properties beginning to have adverse effects on neighborhoods) by identifying the CTBG in the City with income levels at or below 120% Area Median Income (AMI). For purposes of this Substantial Amendment, the low, moderate and middle-income areas will be noted as "LMMI" (at least 51% of the residents in LMMI areas have incomes at or below 120% AMI). This data was provided by HUD and can be found on their website:

http://www.huduser.org/publications/commdevl/nsp_target.html.

The data for San Diego was evaluated and a priority ranking system for those CTBGs most at risk of becoming blighted due to large numbers of vacant, foreclosed units was developed. A visual representation of these impacts is shown as Exhibits A1-A9; Exhibit A10 plots houses that have become REOs during the period July 2007 – September 2008.

The HUD data, in addition to a break-down of income levels by CTBG, also provides the following information:

- Estimated foreclosure/abandonment risk score (1 to 10 with 10 being the highest risk) – San Diego's data ranged from 1 to 10;
- Rate of high cost loans (2004 – 2006) – San Diego's data ranged from 0.0% to 100.0%;
- Predicted 18 month underlying problem foreclosure rate – San Diego's data ranged from 0.0% to 18.6%;
- Rate of housing price decline since the peak in the housing market (as of June 2008) – San Diego's rate is -18.2%;
- Unemployment rate (as of June 2008) – San Diego's rate is 5.9%; and
- Residential vacancy rate (as of June 2008) – San Diego's rate ranged from 0.0% to 11.1%.

Of the 879 San Diego CTBGs provided by HUD, only 550 of them met the eligibility under Housing and Economic Recovery Act of 2008 (HERA) as areas which would satisfy the requirement that NSP funds be used to serve persons earning less than 120% AMI. The eligibility of areas for the City of San Diego, utilizing Neighborhood Stabilization Program (NSP) funding restrictions, is shown in Exhibit A1.

As can be seen on the map, the eligible areas range from Mira Mesa in the north to San Ysidro in the south along the border. When overlaid against Exhibits A4, A5, A6 and A7 it becomes clearer that the greatest concentration of eligible areas as well as areas facing

a predicted 18-month underlying problem in the foreclosure rate (this rate does not provide the actual level of foreclosures in an area, but rather predicts what the foreclosure risk might be going forward) and areas running a high probability of foreclosure risk are concentrated south of El Cajon Blvd. and east of State Route 163. This correlates to heavy concentrations in City Council Districts 3, 4, 7 and 8; therefore the NSP funding will be focused in these areas.

Correlating the data supplied by HUD, if we overlay zip codes to focus the NSP funding even further in specific Community Planning Areas, we come up with the following zip codes: 92102, 92104, 92105, 92113, 92114 and 92154. These represent the communities of: Golden Hill, North Park, City Heights, Barrio Logan, and the Encanto neighborhoods respectively. Of the 550 eligible CTBGs, this plan will focus the NSP funds in only 76 census tracts (see Attachment A11).

B. DISTRIBUTION AND USES OF FUNDS

Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. *Note: The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.*

Response:

The City of San Diego will prioritize the use of the NSP funds by first targeting the acquisition of foreclosed units in neighborhoods with the highest concentration of subprime mortgage loans and at the highest risk of additional foreclosures, as evidenced through HUD-provided data and the City's data on foreclosures that have occurred from July 2007 through September 2008. In reviewing the requirements of HERA, the area south of El Cajon Blvd. and east of State Route 163 were found to meet all of the prerequisite criteria of the greatest percentage of home foreclosures (predicted 18 month underlying problem foreclosure rate). Of the 550 eligible CTBGs, this plan will focus the NSP funds in only 76 census tracts (see Attachment A11).

In viewing this data mapped over the LMMI areas, it is clear that the LMMI areas appear to be the areas in the City that have the greatest percentage of all of the factors combines and should be the areas where NSP funds should be prioritized. It is City staff's recommendation, based upon all of the data analyzed, that the NSP funds be focused in the areas of greatest need as listed in the previous section.

The following was used to determine the NSP priority areas:

- Eligible LMMI areas (63% of the City);
- Areas with the foreclosure risk at 7 or above;

- Areas that will likely experience a high number of foreclosures over the next 18 months;
- Areas which have a high foreclosure risk score as established by HUD;
- Areas with high cost loan rate above 25%;
- Assist individuals and households with less financial resources than in other areas of the City; and
- Number of vacant properties in the area that have been foreclosed upon.

NSP priority areas identified above meets the requirements of HERA Section 2301(c) (2) in the following manner:

- An analysis of the locations of REOs, NODs and Trustee Sales show a higher propensity of activity in the central to central/east and southeastern portions of the City;
- The priority areas have the highest percentages of high cost loans;
- The priority areas also have the highest risk for foreclosure;
- The priority areas are also likely to face a significant rise in the number of foreclosures over the next 18 months.

The funds will be used in two primary activities, plus administration:

- 1) As a financing mechanism to ensure affordability (silent second and rehabilitation loan package) primarily for families buying units that have been rehabilitated through this program pursuant to Section 2301(c)(3)(A); and
- 2) Acquisition/rehabilitation and rental. As required, 25% of the funds will be used to serve residents earning at or below 50% AMI – the City of San Diego intends to utilize these funds for acquisition/rehabilitation of single family units pursuant to Section 2301(f)(3)(A)(ii);
- 3) Homebuyer education counseling under eligible uses as defined in Sections 2301(c)(3)(B) and (E) and pursuant to 24 C.F.R. 570.201(e); and
- 5) Administration of the program will not exceed 10% of the NSP grant and 10% of program income.

Financing Mechanism (Section 2301(c)(3)(A))

The City of San Diego would grant to the San Diego Housing Commission (SDHC) as a sub-recipient the entire \$9,442,370 to administer. 75% of that funding (\$6,831,778 less Activities 2 and 4) would be used by SDHC to finance the purchase of foreclosed homes. SDHC plans on negotiating with lenders to make REO portfolios of single family residences and condominiums in Council Districts 3, 4, 7 and 8 available to First Time Home Buyers (FTHB) at base prices at least 5% below appraised value. The final sales price to the buyer would be comprised of the bank's base price plus rehabilitation costs (including 1-2 months temporary rent if the REO is not available during rehabilitation phase).

SDHC would seek out conventional lenders participating in the SDHC's FTHB programs. The lender would be expected to provide fixed rate 30-year amortized 1st Trust Deed for 70% of the buyer's final sales price. SDHC would provide a 30-year

deferred 2nd Trust Deed at 0% interest for between 17% and 27% of the buyer's final sales price, plus a closing costs grant for 3% of final sales price. The purchaser of the home would be expected to provide a 3% down payment and any excess closing costs beyond the SDHC grant.

Eligible homebuyers must be FTHBs (not having owned a residence within the past three years). Household gross income cannot exceed 120% AMI (\$86,500 for a family of four). The buyer must be pre-approved, with verifiable household income, in good credit standing, and provide 3% of final sales price for their down payment. The buyer would also be expected to pay any excess closing costs over the SDHC 3% closing costs grant. Maximum housing expense and other credit debts would not be able to exceed 42% total debt ratio of gross household income.

SDHC would offer local banks assistance to sell their REOs through our FTHB programs if they offer single family residences and condos at prices 5% below appraised values. Banks with REOs, FTHB program lenders, real estate agents, home buyer counselors, and the SDHC would all advertise the availability of eligible REOs with assistance from the SDHC modified FTHB program.

Appraised values would need to be determined for eligible REO properties. Buyers who have been pre-approved would need to make the offer to purchase the eligible REO from the bank subject to a mutual agreement on an adjusted actual rehab cost to be determined later. For pre-1979 residences, SDHC will obtain bank authorization for lead testing and schedule a lead test within one week and arrange access to the home from the bank.

The bank would complete the underwriting for their 70% 1st Trust Deed and forward the loan package to the SDHC Loan Management staff for underwriting the SDHC 2nd Trust Deed and closing cost grant. When both loans are approved, the buyer would select a contractor from the submitted bids. The buyer would sign the bank and SDHC loan documents and construction contract. Escrow would receive the bank's 1st Trust Deed amount, the buyer's 3% down payment, the SDHC 3% closing cost grant and a portion of the SDHC 2nd Trust Deed to complete the purchase escrow, pay the bank the negotiated purchase price and close within 30 to 45 days.

Depending on the price discounts that can be achieved in the REO negotiation phase the number of homeowners that could be assisted with the \$6.4 million (total grant less the 25% low income set aside and 10% administration) that can assist up to 120% AMI:

- Home priced at \$200,000 (plus \$30,000 rehab) would assist 92 buyers
- Home priced at \$250,000 (plus \$30,000 rehab) would assist 75 buyers

Acquisition/Rehabilitation & Rental for Low Income Tenants (Section 2301(f)(3)(A)(ii))

There is a low income set aside provision in HERA where at least 25% of the NSP funds must be utilized for the benefit of families at or below 50% AMI. The City would once again grant the 25% to SDHC for administration as a sub-recipient of the funds for this

program. SDHC has developed a program which would be modeled on SDHC's Public Housing Disposition plan.

Pursuant to HUD regulations, a tenant earning less than 50% AMI can only spend up to 30% of their income on housing. This restriction means that the income generated off of the rents for families at 50% AMI does not provide enough capital to maintain and operate the units at an acceptable level. Therefore, utilizing the Section 8 voucher program, the family would still pay only 30% of their income in rent, however the voucher would allow SDHC to realize higher rents through the subsidy from HUD. This additional income from the voucher would allow SDHC to maintain, operate and even expand the program.

To do this, SDHC and or a community-based, non-profit partner would purchase vacant foreclosed properties in areas of the city most impacted by the foreclosure crisis (Council Districts 3, 4, 7 and 8). These properties will then be rehabilitated and rented to families earning 50% AMI or less at initial occupancy. SDHC or a community-based, non-profit partner would retain these units within its portfolio and will be responsible for all property management functions.

With a rehabilitated cost of \$300,000 per unit being utilized, this assumes all homes will contain three bedrooms and a high standard for rehabilitation including lead based paint remediation as required.

In order to proceed expeditiously in response to the current crisis, it is recommended that SDHC pay cash for all costs associated with the acquisition and rehabilitation of the units and lease-up to eligible families, then leverage the properties utilizing conventional financing to the greatest extent feasible and repeat the acquisition/lease-up process.

Eligible households will receive a Project Based Housing Choice Voucher to be used first to assist the family with a rental subsidy and eventually as a Section 8 Homeownership opportunity. It is expected that through the use of Project Based Section 8 vouchers the increased revenue stream will allow for the purchase and rehabilitation of a greater number of foreclosed homes. It is estimated that approximately 30 self-sustaining rental homes could be created.

For each financed home utilizing the NSP funds, the City prefers to utilize a recapture provision. The City prefers the recapture provision in this plan because it is the same mechanism that the SDHC has utilized in its successful First Time Home Buyer program. This recapture provision will allow the City to recycle monies paid off at the time of the resale and/or cash out refinancing and/or other non permitted transfers, assignments or sales, so that the program can be perpetuated. Alternatively, the City would propose the use of resale restrictions which would remain recorded against the property for six years. If the owner sells the property before the end of six years, it must be sold to a buyer earning no more than 120% AMI and the sales price can not exceed what would be affordable to a 120% AMI household.

Redevelop Demolished or Vacant Properties (Section 2301(c)(3)(E))

In certain instances, the condition of specific units may warrant demolition instead of rehabilitation. A primary basis would be the proposed cost of rehabilitation. In such cases where the rehabilitation costs exceed the acquisition costs, staff would consult with the City's Development Services Department of Inspections regarding the structural soundness of the house. If deemed appropriate, demolition would occur. Plans to develop the parcel as an infill unit or units would commence as soon as practicable and may necessitate the partnership with local non-profit developers. Several redevelopment options would be considered. One option would be to sell the parcel to a non-profit developer for new construction; another option would be to make it available to a non-profit developer for special needs housing. Other possible uses under this activity type might include vacant, foreclosed properties that allow for the expansion or improvement of a public facility.

Homebuyer Education Counseling (24 CFR 570.201(e))

As part of the NSP requirements, each eligible family seeking to purchase a foreclosed home with the assistance of NSP funding must first complete a HUD approved eight hour financial literacy/homebuyer education program. There are several agencies in San Diego which provide this service as part of their business model.

Due to the time constraints placed on the obligation of and expenditure of the NSP funding, the City will establish partnerships with these types of institutions in order to comply with NSP regulations and to also create a steady stream of eligible homebuyers for the REO properties. Assisting these agencies with funding is recommended however it will be incumbent on the SDHC and City's CDBG staff to monitor closely the types of counseling these agencies provide. Because these agencies provide both foreclosure prevention counseling and homebuyer education courses, use of the NSP funds would "taint" their operations and prohibit them from providing foreclosure prevention counseling utilizing the NSP funds. Strict oversight of this will be paramount and the agencies providing the counseling/education services will be required to offer only homebuyer preparation courses at certain venues to ensure NSP monies are being spent only on eligible uses.

Additionally, the success of this program will also rely on a steady stream of eligible REO properties on which the seller is willing to give a minimum 5% discount from the appraised value to the homebuyer. To do that the City will need to tap into the REO portfolios of banks and even land banks in the region.

The synergistic relationship between the home buying counseling agencies, the SDHC loan products and the availability of REO properties should create a model of success for the program such that the funds will be obligated in 18 months and fully expended in the four year timeframe as established by HUD.

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of “blighted structure” in context of state or local law.

Response:

The City of San Diego uses the State of California’s definition of blight as found at California Health and Safety Code Sections 33030 and 33031 which are attached as Exhibit B.

(2) Definition of “affordable rents.” *Note:* Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

Response:

For any NSP-funded rental activity, “affordable rents” shall be defined as 30% of the household’s adjusted income, less utility allowances as adopted by the Housing Authority of the City of San Diego for the Section 8 program, as appropriate. HUD’s Fair Market Rent schedule for the San Diego-Carlsbad-San Marcos MSA will be used (Exhibit D). Should any gap be present, funds for this gap will be required from other sources of funding.

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response:

Continued affordability will be ensured for the entire period of affordability through monitoring, following the specific HOME monitoring requirements as defined in 24 CFR Part 92.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Response:

For NSP related rehabilitation efforts, the City of San Diego will utilize SDHC’s Rehabilitation Standards. Rehabilitation Standards are used to prioritize work items when determining the final scope of work. Priorities include:

1. First priority is the elimination of Health/Safety hazards and code violations. This may include the following major systems or building components:
 - a. Structural: foundations, footings, chimneys, framing, siding, subfloors, roof diaphragm, retaining walls, etc.

- b. Plumbing: drain, waste, and vent systems, hot and cold water pipes, drainage systems, plumbing fixtures, bathtubs, sinks, toilets, hot water heaters, etc.
 - c. Mechanical: heating and air conditioning to include any built-in, floor, central, wall gas or electric unit.
 - d. Electrical: safe adequate wiring, service panel/amperage for modern conveniences, service entrance, receptacles and, interior/exterior lighting.
 - e. Interior/Exterior building components: floor coverings, ranges/refrigerators, garbage disposal, kitchen cabinets, counter tops, vanities, drywall, painting, doors, windows, weatherization, smoke alarms, security bars, hazardous building construction materials, concrete work and fencing etc.
 - f. Required Lead-Based Paint remediation.
2. Second priority is the elimination of incipient violations. These work items would include all of the work mentioned above that are not code violations today, but will become violations at some time in the near future (two years or less). Examples include:
- a. A roof covering that has reached its life expectancy, but shows no sign of leaking.
 - b. Floor covering that is excessively worn and in a reasonably short period of time will no longer be effective for the intended use.
 - c. Kitchen counter tops, appliances, bath vanities or tub surrounds which show pitted or worn surfaces but are not bad enough to classify as a code violation.
 - d. Paint that is aged near its useful life expectancy but remains a washable surface and provides adequate water and weather protection.
3. Third priority is energy and/or water conservation improvements. These conservation improvements or repairs include insulation, water saving toilets or other fixture, energy-efficient appliances, water heaters and xeriscope yard improvements.
4. Fourth priority is general property improvements. General property improvements are those items which cannot be classified in the first three categories but by their inclusion enhance the exterior or interior appearance of the dwelling or occupancy of the inhabitants. For the most part, general property improvements are limited to funding sources that allow them. In all cases the work must be justified. "Luxury" items are not allowed. Some examples of general property improvements are:
- a. Dishwashers (dishwashers may be a higher priority depending on circumstances i.e., medical needs or replacement of an existing non-functioning unit).

- b. Upgrading floor covering that may not be a safety or incipient violation.
- c. Upgrading of obsolete kitchen cabinets that are in good to fair condition.

Individual rehabilitation programs administered by SDHC may forbid the installation or repair of certain items. It is the responsibility of the SDHC staff to know and understand program regulations and make decisions accordingly. In addition, staff should be aware of and insure that corrective items that are in violation of the City of San Diego's building codes/ordinances as well as the Uniform Building Code, National Electric Code, Uniform Plumbing Code and the Uniform Housing Code are corrected.

Termite Repairs – a Termite Inspection Report is required and is prepared for every home by a licensed inspector. The report should identify any termite or dry rot damaged wood members in the home as well as whether or not there are any active termite infestations in the home. Any termite or dry rot damaged wood members in the home are required to be replaced or repaired due to the health and safety risk they pose to the structural integrity of the home. Fumigation or other treatments recommended to eliminate any active termite infestations are required.

Ineligible Items – There are specific items that may or may not be allowed as eligible work and are determined by need, circumstances and individual program parameters. These items include:

- 1. Room Additions
- 2. Patio Covers and Slabs (replacement only unless existing conditions can be documented/justified and authorized by HCO)
- 3. Landscaping
- 4. Garages and Carports
- 5. Window Coverings

The following items are ineligible under most programs offered by SDHC:

- 1. Luxury materials, appliances, etc.
- 2. Replacement of items in "like new" condition early in to normal life expectancy
- 3. Mirrored closet doors
- 4. Greenhouses
- 5. Animal kennels/cages/runs
- 6. Swimming pools
- 7. Saunas/spas/sunken tubs
- 8. Outdoor fireplaces/barbecues
- 9. Trash compactors
- 10. Tennis courts
- 11. Wet bars
- 12. Security systems

Property owners can normally pay the difference in higher costs between what the program will allow and the item(s) of their preference.

D. LOW INCOME TARGETING

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: \$39,500 for a family of four.

Note: At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

Response:

The City of San Diego will make at least \$2,124,533 (25% of the City of San Diego's NSP allocation less 10% administrative funding, as required) available for acquisition/rehabilitation/rental as described above in Section B.

E. ACQUISITIONS & RELOCATION

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., $\leq 80\%$ of area median income).

If so, include:

- The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

Response:

All activities below are anticipated to be initiated upon the release of NSP funds – that is at the outset of the 2009 calendar year. All funds will be initially committed within 18 months; several of these activities anticipate returning funds (e.g. program income) which will continue to be used within the NSP guidelines as long as possible (Currently estimated to be July 2013).

- No conversions or demolitions are anticipated. As indicated in Section B above, a small number of units may be acquired and rehabilitated. Of these, none are anticipated to have had an affordability covenant; however some of these may have been occupied and/or owned by low- and moderate-income households.

- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households reasonably expected to be produced by the various activities are as follows:

- o Financing mechanisms to first-time homebuyers through a silent second trust deed mortgage and rehabilitation loan: if all available funds are used in this category (total NSP grant less 25% to serve households below 50% AMI, less 10% for administration), and the average purchase price is \$220,000, the average rehabilitation costs are \$30,000, so the average sales price is \$250,000, and an average of \$50,000 of these proceeds remain in the unit as a silent second, then approximately 90 units could be produced. Changes in average acquisition costs and changes in average rehabilitation costs could dramatically change this number.

- o Acquisition/rehabilitation/rental in a lease-to-own plan: this is our program which will utilize the 25% of the NSP funding for low income targeting. After acquisition and rehabilitation by SDHC these units will be made available to Section 8 clients. In conjunction with the use of Section 8 Project Based vouchers, it is expected that the City can produce up to 30 self-sustaining rental homes which may over time result in homeownership opportunities for low income families.

F. PUBLIC COMMENT

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

Response:

The draft NSP Plan (Substantial Amendment) for the City of San Diego will be made available for public comment on the City's website as well as SDHC's website between November 1 through November 15, 2008. The draft Plan will then be forwarded to the City Council for consideration at a public hearing on November 18, 2008 at 2 p.m.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

Activity 1

(1) Activity Name:

Financing Mechanism for the Purchase & Redevelopment of Foreclosed Upon Homes and Residential Properties

(2) Activity Type: (include NSP eligible use & CDBG eligible activity)

NSP – financing mechanism;

CDBG – 24 CFR 570.201(n) direct homeowner assistance (for silent second loan) and 24 CFR 570.202(b)(1) rehabilitation loan.

(3) National Objective: (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Low-income housing (as amended by NSP) – Beneficiaries will be restricted to low-, moderate-and middle-income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 120% AMI as promulgated by HUD for this purpose.

(4) Projected Start Date:

Upon release of the funding by HUD.

(5) Projected End Date:

As long as funds are available (additional funds such as program income, may be allocated to this activity depending on the success of the resale portion of the NSP program and changing neighborhood dynamics as areas become more stabilized) and continued financing/rehab of properties continues, these funds will end no later than July 2013.

(6) Responsible Organization: (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

San Diego Housing Commission

1122 Broadway, Ste. 300

San Diego, CA 92101

Administrator: Cissy Fisher, (619) 578-7588, cissyf@sdhc.org

The City of San Diego's Community Investment Department will assist in the oversight of the program.

(7) Location Description: (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Staff has identified those neighborhoods south of El Cajon Blvd. and east of State Route 163 as the areas of greatest need and where NSP funds and activities will be given the

highest priority. Of the 550 eligible CTBGs, this plan will focus the NSP funds in only 76 census tracts (see Attachment A11).

(8) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- **tenure of beneficiaries—rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

For acquisition activities, include:

- **discount rate**

For financing activities, include:

- **range of interest rates**

The areas of greatest need will be those located south of El Cajon Blvd. and east of State Route 163. Of the 550 eligible CTBGs, this plan will focus the NSP funds in only 76 census tracts (see Attachment A11). The expected benefit to income-qualified person would be that this funding will represent a one-time opportunity for San Diego to help local families purchase homes that would be unavailable to them without this financial assistance. All participants will need to receive a discount of at least 5% off of the appraised value of a single home purchased with the use of NSP funds and the jurisdiction will need to maintain an aggregate discount of at least 15% across all properties acquired through the use of NSP funds.

The City has limited funds for FTHB assistance and cannot meet the current demand for assistance without this program. Local families will be able to purchase and rehabilitate homes near their jobs in the City, reducing commute time and increasing the time available for family and community activities. These families will also receive in-depth training in managing personal finances.

Finance/range of interest rates: interest rate on silent second loan financing will be zero percent thirty-year fixed loans to encourage families to participate in a program with recapture restrictions. Based upon the percentage of the value of the home that NSP comprises, within a seven-year timeframe if the homeowner re-sells the home, the jurisdiction will be entitled to the same percentage of the increase in value of the home that NSP represented. For example, if the home is \$200,000 and the NSP FTHB loan was used to finance 25% of the home's purchase value (\$50,000), and the homeowner sells the unit in 3 years at \$300,000, the jurisdiction will be entitled to the full value of the original NSP loan (\$50,000) and 25% of the appreciation of the unit (\$25,000).

(9) **Total Budget: (Include public and private components)**

The initial budget from NSP funds is \$6,123,600. Private components are not included, presuming worst-case scenario. In a best case scenario, the Redevelopment Agency of San Diego will likely dedicate funding in the Redevelopment Project Areas throughout the City where NSP funding will be utilized. The Redevelopment Agency's funding would go towards green rehabilitation efforts thus allowing more of the NSP funding to go towards the silent second loan product. Note that this is the primary NSP activity, and the budget may be increased by reduction of other activity budgets should circumstances warrant.

(10) **Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

This activity is providing financing mechanism for the purchase and redevelopment of foreclosed upon homes and residential properties. The performance measurement outcomes will be measured by the number of first time homebuyer and rehab loans made available to families making at or below 120% AMI. This activity is not expected to assist any households below 50% AMI. Because the success of the program is heavily reliant upon the negotiated price of each home, the initial anticipated number of families between 51-80% to be served by this product ranges between 35-46, and for the AMI ranges of 81-120% AMI, an additional 30-45 families would be served.

Activity 2

(1) **Activity Name:**

Redevelop Demolished or Vacant Properties

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP – acquisition, demolition and redevelopment;

CDBG – 24 CFR 570.201(a) acquisition, (b) disposition, (c) public improvements, and 24 CFR 570.202 rehabilitation and 24 CFR 570.204 CBDO (CHDO).

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., ≤ 120% of area median income).

Ultimate beneficiaries (after redevelopment of the site) will be restricted to low-, moderate-, and middle-income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 120% AMI as promulgated by HUD for this purpose.

(4) **Projected Start Date:**

Upon release of the funding by HUD.

(5) **Projected End Date:**

As long as funds are available (additional funds such as program income, may be allocated to this activity depending on the success of the resale portion of the NSP program and changing neighborhood dynamics as areas become more stabilized) and continued redevelopment of demolished or vacant properties continues, these funds will end no later than July 2013.

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

San Diego Housing Commission

1122 Broadway, Ste. 300

San Diego, CA 92101

Administrator: Cissy Fisher, (619) 578-7588, cissyf@sdhc.org

The City of San Diego's Community Investment Department will assist in the oversight of the program.

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Staff has identified those neighborhoods south of El Cajon Blvd. and east of State Route 163 as the areas of greatest need and where NSP funds and activities will be given the highest priority. Of the 550 eligible CTBGs, this plan will focus the NSP funds in only 76 census tracts (see Attachment A11).

(8) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- **tenure of beneficiaries--rental or homeownership;**
- **duration or term of assistance;**
- **a description of how the design of the activity will ensure continued affordability.**

For acquisition activities, include:

- **discount rate**

For financing activities, include:

- **range of interest rates**

The areas of greatest need will be those located south of El Cajon Blvd. and east of State Route 163. Of the 550 eligible CTBGs, this plan will focus the NSP funds in only 76 census tracts (see Attachment A11). This activity is for the acquisition/demolition/redevelopment of foreclosed, abandoned single-family residences that would require more funds to rehabilitate than to demolish and rebuild. After consultation with the City's Development Services Department of Inspections, a determination would be made to demolish the structure instead of attempting to rehabilitate it. The property would then be made available to non-profit housing providers to plan the redevelopment of the property as soon as feasible. Redevelopment may include sale of the property below fair market value, or partnership with a non-profit agency. Other possible uses under this activity type might include vacant, foreclosed properties that allow for the expansion or improvement of a public facility.

All participants will need to receive a discount of at least 5% off of the appraised value of a single home purchased with the use of NSP funds, and the jurisdiction will need to maintain an aggregate discount of at least 15% across all properties acquired through the use of NSP funds.

(9) Total Budget: (Include public and private components)

The initial budget from NSP funds is \$200,000. If this amount is not used for this activity, then it will revert back to the financing mechanism activity (Activity #1). It is anticipated that any units acquired under this activity will be purchased at a very deep discount due to the condition of the unit. Should outside parties choose to participate, the budget may expand as circumstances warrant. Note that this is not the primary NSP activity, and the budget will be determined based upon the status of neighborhoods in the NSP priority areas as described above.

(10) **Performance Measures** (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

It is initially anticipated that 2-5 affordable units may be ultimately made available to families earning up to 120% AMI through this activity after the redevelopment of the sites. No projection has been made of the income-level components to be served.

Activity 3

(1) **Activity Name:**

Acquisition/Rehabilitation & Rental for Low Income Tenants

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP – acquisition/rehabilitation/rental;

CDBG – 24 CFR 570.201(a) acquisition, and 24 CFR 501.202, rehabilitation.

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

Beneficiaries will be low-income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 50% as promulgated by HUD for this purpose.

(4) **Projected Start Date:**

Upon release of the funding by HUD.

(5) **Projected End Date:**

As long as funds are available (additional funds such as program income, may be allocated to this activity depending on the success of the acquisition/rehabilitation and rental portions of the NSP program and changing neighborhood dynamics as areas become more stabilized) and continued acquisition/rehabilitation/rental of properties continues, these funds will end no later than July 2013.

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

San Diego Housing Commission

1122 Broadway, Ste. 300

San Diego, CA 92101

Administrator: Steve Snyder, (619) 578-7545, steves@sdhc.org

The City of San Diego's Community Investment Department will assist in the oversight of the program.

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Staff has identified those neighborhoods south of El Cajon Blvd. and east of State Route 163 as the areas of greatest need and where NSP funds and activities will be given the highest priority. Of the 550 eligible CTBGs, this plan will focus the NSP funds in only 76 census tracts (see Attachment A11).

(8) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this

activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- tenure of beneficiaries--rental or homeownership;
- duration or term of assistance;
- a description of how the design of the activity will ensure continued affordability.

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

The areas of greatest need will be those located south of El Cajon Blvd. and east of State Route 163. Of the 550 eligible CTBGs, this plan will focus the NSP funds in only 76 census tracts (see Attachment A11). This activity is for the acquisition/rehabilitation/rental of foreclosed upon properties and will be reserved strictly for household earning less than 50% AMI. The San Diego Housing Commission or a community-based, non-profit organization will purchase single family residences and the San Diego Housing Commission will issue each tenant a Project-Based Section 8 voucher.

The unit will remain in the Housing Commission's or community-based, non-profit's portfolio until the very-low income family can purchase the unit. If it is not purchased, it will remain in the Housing Commission's or community-based, non-profit's portfolio and will be offered to another eligible family at very-low income rental rates (50% AMI).

The family will then be offered Family Self Sufficiency programs to increase their earning capacity and knowledge of the intricacies and obligations of homeownership. This program is designed to empower each very-low income family to enter into the long-term possibility of homeownership. The family will always pay no more than 30% of their income pursuant to HUD Section 8 regulations thus providing perpetual affordability of the unit to the very-low income family.

It is expected that each very-low income family placed in a unit acquired through the use of NSP funds would take at least five years before they would be positioned to purchase the unit. By leveraging the increased rental revenue generated by the voucher, the Housing Commission will be able to seek out additional leveraging through conventional loan mechanisms and expand the program.

The jurisdiction will need to receive a discount of at least 5% off of the appraised value of a single home purchased with the use of NSP funds, and will need to maintain an aggregate discount of at least 15% across all properties acquired through the use of NSP funds.

(9) **Total Budget: (Include public and private components)**

The initial budget from NSP funds is \$2,124,533. Private components are not included, presuming worst-case scenario. Presuming the best-case scenario would assume a leveraging component for the expansion of the product. This activity, depending on interest rates being offered by the lending institutions at the time, may result in the leveraging of the NSP funds at a 4:1 ratio. Note that this is the primary NSP activity for the low income set aside portion of the funding, and the budget may be increased by reduction of other activity budgets should circumstances warrant.

(10) **Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

This activity is providing housing opportunities through the acquisition/rehabilitation/rental of foreclosed upon homes and residential properties. The performance measurement outcomes will be measured by the number of rental units provided to families making at or below 50% AMI. This activity is not expected to assist any households over 50% AMI. The initial anticipated number of families to be served by this product is 30.

Activity 4

(1) **Activity Name:**

Homebuyer Education Counseling

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP – purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon; redevelop demolished or vacant properties;

CDBG – 24 CFR 570.201(e), housing counseling public services.

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

Low-income housing (as amended by NSP) – Beneficiaries will be restricted to low-, moderate-and middle-income clientele, as defined by the NSP Notice. All participants will be restricted to the income levels below 120% AMI as promulgated by HUD for this purpose.

(4) **Projected Start Date:**

Upon release of the funding by HUD.

(5) **Projected End Date:**

As long as funds are available (additional funds such as program income, may be allocated to this activity depending on the success of the financing mechanism portion of the NSP program and changing neighborhood dynamics as areas become more stabilized) and continued financing/rehab of properties continues, these funds will end no later than July 2013.

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

San Diego Housing Commission

1122 Broadway, Ste. 300

San Diego, CA 92101

Administrator: Cissy Fisher, (619) 578-7588, cissyf@sdhc.org

The City of San Diego's Community Investment Department will assist in the oversight of the program.

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Staff has identified those neighborhoods south of El Cajon Blvd. and east of State Route 163 as the areas of greatest need and where NSP funds and activities will be given the highest priority. Of the 550 eligible CTBGs, this plan will focus the NSP funds in only 76 census tracts (see Attachment A11).

(8) Activity Description:

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- tenure of beneficiaries--rental or homeownership;
- duration or term of assistance;
- a description of how the design of the activity will ensure continued affordability.

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

As prescribed by HUD and HERA, each eligible family (making not more than 120% AMI) purchasing a foreclosed upon property must complete a mandatory eight-hour homebuyer financial education course. These funds will go to local counseling agencies to strictly provide these types of preparatory counseling services. Each of the recipients of the financing mechanism provided through the Activity #1 will benefit from these funds.

(9) Total Budget: (Include public and private components)

The initial budget from NSP funds is \$50,000. Private components are not included, presuming worst-case scenario. The San Diego Housing Commission will commit an additional \$50,000 towards this effort to supplement the NSP funding.

(10) Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):

This activity is providing a service for every family receiving the financing mechanism funding described in Activity #1. The performance measurement outcomes will be measured by the number of first time homebuyers that successfully complete the mandatory 8-hour education program. This activity is not expected to assist any households below 50% AMI nor any families between 51-80% AMI. The initial anticipated number of families between 81-120% AMI to be served by this product ranges between 75-163.

Activity 5

(1) **Activity Name:**

NSP Administration.

(2) **Activity Type:** (include NSP eligible use & CDBG eligible activity)

NSP – grant administration HERA Section 2301(e)(2);

CDBG – grant administration 24 CFR 570.489(a)(i) is superseded by HERA.

(3) **National Objective:** (Must be a national objective benefiting low, moderate and middle income persons, as defined in the NSP Notice—i.e., $\leq 120\%$ of area median income).

Not required.

(4) **Projected Start Date:**

Upon release of the funding by HUD.

(5) **Projected End Date:**

Continued grant administration through July 2013.

(6) **Responsible Organization:** (Describe the responsible organization that will implement the NSP activity, including its name, location, and administrator contact information)

San Diego Housing Commission

1122 Broadway, Ste. 300

San Diego, CA 92101

Administrator: Cissy Fisher, (619) 578-7588, cissyf@sdhc.org

Steve Snyder, (619) 578-7545, steves@sdhc.org

The City of San Diego's Community Investment Department will assist in the oversight of the program.

(7) **Location Description:** (Description may include specific addresses, blocks or neighborhoods to the extent known.)

Staff has identified those neighborhoods south of El Cajon Blvd. and east of State Route 163 as the areas of greatest need and where NSP funds and activities will be given the highest priority. Of the 550 eligible CTBGs, this plan will focus the NSP funds in only 76 census tracts (see Attachment A11).

(8) **Activity Description:**

Include a narrative describing the area of greatest need that the activity addresses; the expected benefit to income-qualified persons; and whether funds used for this activity will be used to meet the low income housing requirement for those below 50% of area median income.

For housing related activities, include:

- tenure of beneficiaries--rental or homeownership;
- duration or term of assistance;
- a description of how the design of the activity will ensure continued affordability.

For acquisition activities, include:

- discount rate

For financing activities, include:

- range of interest rates

This activity is grant administration which includes, but is not limited to, the following activities:

- Compliance monitoring (NSP requirement, Labor Standards, Section 3, procurement, conflict of interest, EEO, URA, Affirmative Marketing, etc.)
- Environmental review for compliance with the National Environmental policies Act (NEPA)
- Contracting
- Procurement (including letting of appropriate Requests for Proposals, Notices of Funding Opportunities, etc.)
- Financial data collection and reporting
- Quarterly reporting
- Data entry and reporting through DRGR
- Providing technical assistance to activity sponsors
- Ensuring public participation

(9) **Total Budget: (Include public and private components)**

NSP allows for 10% of the grant allocation (\$944,237) and 10% of program income (unknown at this time) to be used for grant administration.

(10) **Performance Measures (e.g., units of housing to be acquired, rehabilitated, or demolished for the income levels of households that are 50 percent of area median income and below, 51-80 percent, and 81-120 percent):**

All activities will benefit LMMI households and no monitoring findings issued by HUD as the result of program monitoring.



REPORT TO THE CITY COUNCIL and HOUSING AUTHORITY

DATE ISSUED: August 17, 2009

REPORT NO: HAR09-033

ATTENTION: Council President and City Council
Members of the Housing Authority
For the Agenda of September 15, 2009

SUBJECT: Proposed Revisions to the Neighborhood Stabilization Program and Housing
Commission Budget Revision (Council Districts 3, 4, 7 and 8)

REQUESTED ACTION:

1. City Council approval of the proposed Substantial Amendment to the Consolidated Plan 2009 Action Plan (Substantial Amendment, Attachment 1) for submission to the Department of Housing and Urban Development (HUD); and
2. Housing Authority approval of a Fiscal 2010 Budget Revision.

STAFF RECOMMENDATION:

1. City Council approve the proposed Substantial Amendment for submission to HUD to allow the San Diego Housing Commission (Housing Commission) to purchase and rehabilitate abandoned and foreclosed residential properties for resale to eligible first time homebuyers, or to rent to eligible renters; and,
2. Housing Authority approval of a revision (Attachment 2) to the Fiscal Year 2010 budget that will transfer \$1,700,000 from Homeownership Loans and Grants to Rental Housing Development and authorization for the President and Chief Executive Officer to revise the budget to include program income as it is received for Neighborhood Stabilization Program (NSP) activities.

SUMMARY:

On October 1, 2008 the Housing and Recovery Act of 2008 was enacted. Under the Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes provision, \$3.9 billion of funding was distributed to local entitlement jurisdictions and to the 50 states. The City of San Diego was awarded \$9,442,370.

On November 18, 2008, the City Council approved a Substantial Amendment to the Consolidated Plan 2009 Action Plan which detailed the NSP activities to be administered by the Housing Commission, on behalf of the City. Program activities included financing for first time homebuyers to ensure affordability (silent second and rehabilitation package). The Housing Commission's Fiscal Year 2010 budget includes \$3,700,000 of NSP funds allocated to assist eligible first time homebuyers acquire homes and rehabilitate the properties. The existing program includes the following assistance:

Acquisition

- Zero percent interest deferred payment second trust deed loans up to 17 percent of the purchase price for a term of 30 years
- Closing cost assistance grants up to three percent of the purchase price. The grant is forgiven in six years if the property remains owner occupied
- Mortgage Credit Certificates

August 17, 2009

Proposed Revisions to the Neighborhood Stabilization Program
and Housing Commission Budget Revision

Page 2

Rehabilitation

Loans are at zero percent interest with the following terms:

- Loans up to \$10,000 are forgiven after five years
- Loan balances of \$10,001 up to \$30,000 are forgiven after ten years
- Loan balances in excess of \$30,001 are forgiven after fifteen years

Housing Commission staff follows a preapproval process to determine prospective buyers' eligibility under NSP. To date, of the 76 prequalification packages received: 45 buyers have been preapproved; 26 have been denied (fourteen-high debt ratio, five-credit problems, three-over income, two-no down payment, one-over assets and one-not a first time homebuyer); and five are still in process. Some buyers are working directly with Housing Commission lending partners to get preapproved instead of applying through the Housing Commission. To date only five buyers have accepted offers under the NSP. The first buyer closed escrow on July 31, 2009. Each transaction includes a request for Housing Commission acquisition funds plus a rehabilitation loan.

Bank of America (BoFA) and Fannie Mae (FNMA) provide the Housing Commission with a list of the properties they have for sale in the targeted areas. Preapproved buyers receive a copy of the available properties weekly and they can also purchase homes listed on the Multiple Listing Service. The greatest hurdle for buyers is the low inventory of available foreclosed homes priced at or below \$451,250, currently the maximum allowed purchase price. When the buyers find a home and make an offer to purchase most are out-bid. Asset managers have stated that most properties in this price range receive 20 offers well in excess of the listing price. One buyer made 25 offers and was out bid each time.

BoFA's original intent was that the Housing Commission purchase the properties from the list. However, Housing Commission buyers are not getting preference if the property is listed for sale and they are not offered a "first look" at the properties. BoFA has stated if the Housing Commission purchases the properties, it would have the opportunity to purchase prior to listing. As well, the properties will be available below the listed price if the Housing Commission uses BoFA's real estate agent. This will save BoFA money and the bank will pass the savings onto the Commission.

Staff is proposing a revision to the NSP plan, the Substantial Amendment, to include the Commission's ability to directly purchase foreclosed or abandoned properties from the banks, FNMA or from any other sources available to us. Attachment 3 is a summary of the process the Housing Commission would use to purchase and rehabilitate the foreclosed properties and resell to eligible buyers. The Housing Commission may rent a portion of the homes to comply with the program's requirement that at least 25 percent of the funds benefit households at 50 percent area medium income (\$41,300 for a family of four) and below.

Also recommended is a Fiscal Year 2010 budget revision to deduct \$1.7 million from Homeownership Loans and Grants, resulting in a decrease from \$7,033,314 to \$5,333,314. The funds will be in Rental Housing Development, increasing that budget from \$17,250,691 to \$18,950,691. Rental Housing Development includes funds that can be used for the acquisition of properties for resale.

August 17, 2009

Proposed Revisions to the Neighborhood Stabilization Program
And Housing Commission Budget Revision

Page 3

Finally, it is recommended that the CEO (or designee) be authorized to revise the fiscal year 2010 budget to include program income as it is earned for NSP activities. It is anticipated the \$1.7 million will be used to purchase and rehabilitate seven to ten homes. Through the resale of each home the Housing Commission will recapture a portion of the funds used to acquire the properties as program income. The program income money can then be used to purchase additional foreclosed homes.

FISCAL CONSIDERATIONS:

The total amount budgeted for homeownership activities will not be affected by these recommended actions. The proposed revisions will result in an alternative means to achieve homeownership offered to eligible buyers.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Three public hearings for the proposed substantial amendment are scheduled. The first scheduled hearing was Friday, August 21, 2009 at 9:00 a.m. at the San Diego Housing Commission. The second scheduled hearing is Wednesday, September 2, 2009 at 2:00 p.m. at the City Council Land Use and Housing Committee. The final scheduled hearing is Tuesday, September 15, 2009, at the San Diego City Council. All hearings are noticed on www.sandiego.gov/cdbg, www.sdhc.org and four local newspapers.

ENVIRONMENTAL REVIEW:

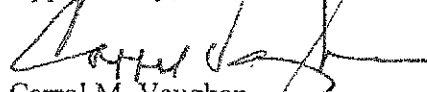
This activity is not a project within the meaning of the California Environmental Quality Act (CEQA) pursuant to Section 15060 (c)(3) of the State CEQA guidelines. This activity is also exempt from review under the National Environmental Policy Act per 24.CFR 58.34(a)(3).

Respectfully submitted,



Cissy Fisher
Vice President, Special Housing Initiatives

Approved by,



Carol M. Vaughan
Executive Vice President &
Chief Operating Officer

Attachments: 1 – Substantial Amendment to the City of San Diego's Consolidated Plan 2009 Action Plan
2 – Budget Amendment
3 – Summary Housing Commission Purchase and Resale

Attachment 1



William Vasquez
Director, Office of Community Planning & Development
U.S. Department of Housing & Urban Development
611 W. 6th Street, Suite 800
Los Angeles CA 90017

RE: Neighborhood Stabilization Program Substantial Amendment to the City of San Diego's Consolidated Plan 2009 Action Plan

Dear Mr. Vasquez:

Please accept this Substantial Amendment to the City of San Diego's (City) Consolidated Plan 2009 Action Plan. San Diego Housing Commission (Housing Commission) is proposing two revisions to the Neighborhood Stabilization Program (NSP) Substantial Amendment (attached).

Eligible first time homebuyers are having a very difficult time purchasing homes due to the limited inventory and multiple offers on the properties. As such, the Housing Commission is proposing to amend the primary focus to include the Housing Commission's ability to directly purchase foreclosed or abandoned properties from banks, FNMA or any other sources available.

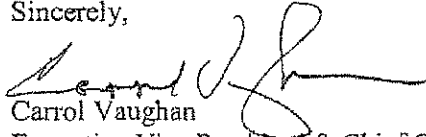
The Housing Commission will acquire the properties in bulk to get first priority from the banks, then offer them for sale to NSP eligible first time homebuyers. The Housing Commission has created partnerships with banks and FNMA to receive preference to purchase Real Estate Owned (REO) homes prior to being listed with an agent at a discounted price and not compete with the market or investors. The Housing Commission will prioritize the use of the NSP funds by first targeting the acquisition of foreclosed units in neighborhoods with the highest concentration of subprime mortgage loans and at the highest risk of additional foreclosures, as evidenced through HUD-provided data and the City's data on foreclosures. Through the resale of each home, the Housing Commission will recapture a portion of the funds used to acquire the properties as program income. The program income money can then be used to purchase additional foreclosed homes, thereby creating a revolving source of funding.

The Housing Commission also proposes to amend the Acquisition/Rehabilitation and Rental for Low Income Tenants activity. The Housing Commission proposes to expand eligible acquisition from single family residences to include blighted residential properties. Additionally, the Housing Commission proposes that acquired rehabilitated rental units may be offered to eligible individuals and families for purchase or be held in rental housing inventory to remain affordable to 50% Area Median Income and below.

This proposed Substantial Amendment is available at the City and the Housing Commission locations and websites. Three public hearings are scheduled to include the Housing Commission, City's Land Use and Housing Committee and City Council for final approval.

Should you have any questions regarding the proposed substantial amendment, please contact me at 619-578-7532 or at carrolv@sdhc.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Carrol Vaughan", with a stylized flourish extending to the right.

Carrol Vaughan
Executive Vice President & Chief Operating Officer

Attachment 2
Budget Amendment

Homeownership (Org 347)	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
<u>Salaries and Benefits</u>	391,466		
<u>Services and Supplies</u>			
Legal	20,000		
Training	3,500		
Travel	2,000		
Contract/Consultant	61,000		
Direct Hire Contractor	80,069		
Office Rent	55,453		
Sundry	13,967		
<u>Housing Programs</u>			
Loans and Grants	6,405,859	4,705,859	<1,700,000>
Grand Total	7,033,314	5,333,314	<1,700,000>
Rental Housing Development (Org 374)			
<u>Salaries and Benefits</u>	348,005		
<u>Services and Supplies</u>			
Legal	110,000		
Training	2,100		
Travel	1,500		
Contract/Consultant	411,520		
Office Rent	31,941		
Sundry	7,535		
<u>Housing Programs</u>			
Site Acquisition/Housing Development	16,338,090	18,038,090	1,700,000
Grand Total	17,250,691	18,950,691	1,700,000

Attachment 3

Summary Housing Commission Purchase and Resale (Bank of America Acquisition)

The following is a summary of the process to purchase homes from Bank of America:

1. Receive weekly list of foreclosed properties from Bank of America
2. Housing Commission staff drives by available properties
3. Staff notifies Bank of America which properties are of interest and receives listing price
4. Staff inspects interior of home and evaluates condition
5. Staff informs Bank of America which properties Housing Commission wants to purchase
6. Listing agent for Bank of America completes Purchase Agreement between Bank of America and San Diego Housing Commission
7. A 45-day escrow is opened. Housing Commission has 21 days to complete all due diligence; including completing a work write-up for repairs, estimating costs for repairs, environmental, lead based paint testing, appraise property, etc.
8. If purchase price is not at least one percent below the appraised value, the price can be renegotiated or the transaction cancelled with a full refund of our earnest money deposit

Once the Housing Commission acquires title to the property, it will be immediately offered for sale to an eligible buyer who has been preapproved for our NSHP. The rehabilitation work will also start as soon as the Commission has ownership. Rehabilitation for items such as replacement of the carpet or flooring, painting and purchasing of appliances will be completed once a buyer has been selected and escrow opened. The buyer will then be involved in the selection of these items to "personalize" the home.

If none of the preapproved buyers are interested in the available home, it will be listed with a real estate agent and offered for sale to a buyer meeting the eligibility criteria under the NSHP.

The costs to acquire the foreclosed property and rehabilitate it will be funded using the Neighborhood Stabilization Program money in Rental Housing Development. It is

anticipated the buyers of the Housing Commission acquired properties will need our financial assistance and benefits of the NSHP offered to buyers who are able to acquire a foreclosed home directly from the banks. A probable scenario of a purchase by the Housing Commission and the resale of the home to an eligible buyer is as follows:

Housing Commission Purchase

Listing Price	\$212,000*
Closing Costs	6,360
Rehabilitation	<u>30,000</u>
Total Investment	\$248,360

*In most cases the listing price is below the market value to entice multiple offers/bids from prospective buyers.

Purchase Transaction to Eligible Buyer

Purchase Price	\$225,000 (appraised value prior to rehab)
Buyer's 3% down payment	\$ 6,750
1 st TD loan	180,000 (80% of purchase price)
HC 2 nd loan	<u>38,250 (17% of purchase price)</u>
	\$225,000
HC Rehab loan	16,610 (totally forgiven after 10 years)
HC closing cost assistance grant	<u>6,750 (forgiven after 6 years)</u>
Total Transaction	\$248,360

The Housing Commission's 2nd TD loan will be due upon sale, transfer, if the property is no longer owner occupied or 30 years.

Under this scenario, the Housing Commission will have approximately \$180,000, less costs to sell, in program income to invest in the purchase of another foreclosed home to resale to another eligible buyer.